

CCKT-98-141

ORA
OFFICE OF RATEPAYER ADVOCATES
California Public Utilities Commission

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ORIGINAL

ELENA SCHMID
Director

December 16, 1998

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William Blase Jr., Vice President
Pacific Bell
140 New Montgomery Street
San Francisco, CA 94105

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**Federal Communications Commission
Office of Secretary**

RE: SBC-Pacific Telesis Merger

Dear Mr. Blase:

The Office of Ratepayer Advocates (ORA) is interested in tracking the promised results of the 1997 merger between SBC and Pacific Telesis, parent company of Pacific Bell (Pacific). The CPUC decision granting the merger, D. 97-03-067, set forth a number of SBC service improvement commitments. These were to be in lieu of providing direct rate decreases to Pacific's California ratepayers. These positive results were to account for the merger savings and other benefits that would accrue to the merged company. They were to include:

- that competition would naturally result in rate reductions to consumers;
- that service quality would improve as a result of the merger;
- that no jobs would leave California, in compliance with CPUC Code Section 854 review requirements;
- and, finally, that 1,000 new jobs would be created in California.

As of today, it appears that Pacific is failing to deliver in most, if not all, of these areas.

Rate Reductions

ORA has reviewed many rate applications submitted by Pacific in 1997 and 1998, subsequent to its acquisition by SBC. ORA has seen only rate increase applications, either in conjunction with requests to move services to categories with full pricing flexibility and no upward pricing controls, or for stand-alone rate increases.¹ Examples include requests to:

- charge customers to pay their bills (later withdrawn)
- increase prices for directory service from 25 cents to a maximum of \$1.10
- increase charges for operator services (emergency interrupt and busy line verification)

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¹ Pacific has been telling the public that your A. 97-03-004 sought a reduction in rates. However, as you know, that application was filed to implement rate reductions ordered in D. 96-10-066, to offset reimbursements to Pacific from the universal service fund. Although Pacific's customers saw an actual decrease in their overall rates, beyond the surcharge they paid to support universal service, that decrease was funded by all California telecommunication consumers.

- increase charges for inside wiring service

Service Quality

ORA is reviewing more than 3,000 comments to the Consumer Services Division of the PUC dealing with Pacific. The comments span a period of July 1996 to November 1998. So far we have reviewed 300 comments, which clearly indicate that Pacific's service quality has seriously eroded. The significant delays in getting new service orders after the merger in 1997 was well documented and was the subject of a legislative hearing in Los Angeles before the Assembly Utility and Commerce Committee, October 1997. In addition, many customers at the recent Public Participation Hearings for Pacific's Operator Services Application 98-05-038 have described horror stories involving service and billing difficulties with Pacific, and rude treatment at Pacific's hands, over the last several months. In the many e-mails and letters the Commission has received in protest of this same application, customers have spoken candidly of continuing and significant service related problems with Pacific throughout the state.

Jobs

We have observed that Pacific has closed many of its payment centers and has plans to close all of them in the near future. The PUC has heard from many Pacific employees about fears of competition and losing their jobs. Pacific's major union, the Communication Workers of America (CWA), in the Operator Service Public Participation Hearings, has expressed its concerns to the Commission about recent and impending job losses.

Request for Information

We would like to give Pacific an opportunity to reassure ORA and the Commission that Pacific is fulfilling its merger commitments. In order to make a meaningful assessment we would like the following information. We are sending a discovery request, under separate cover this same date, to your Legal Department requesting detailed and specific answers to the questions described generally below. X

1. ORA would like to determine the total number of tariff rate decreases sought by Pacific since the merger with SBC, the service for which rate decreases were sought and the existing and proposed tariff rate levels, whether these were granted, and the total estimated and (where applicable) actual revenue reductions Pacific has sponsored to compensate its ratepayers for the merger savings through decreased rates.

2. ORA would like Pacific to provide an assessment of its job situation as of December 1, 1998, compared to the last pre-merger month. ORA would like to know exactly how many new jobs -- including their titles, salary ranges and locations -- have been created since the merger, and the net balance of jobs Pacific supports in California as compared to its pre-merger total. ORA would like a work force accounting, from public office clerks through management and regulatory and legal personnel, on a month by month basis through December 1, 1998, from the

December 16, 1998

date the merger was effected in California. SBC made promises about service quality improvements, and in particular, undertook obligations under CPU Code Section 854, that service quality of the merged companies would remain consistent with its pre-merger levels (that of Pacific Bell in California in this case) or should improve. X

3. ORA would like a breakdown of service quality levels for installations (average time required to connect new residential and new business service, respectively), repairs (number of outages by type of grade of service, average time to repair by time and grade of service, number of trouble complaints on lines and time to repair trouble by type and grade of service), residential and business ordering center answer times and average call duration, directory assistance answer times and dropped, uncompleted or incorrect number call tallies, and a total of *all customer complaints* received in all of the above areas. ORA would like to review this information for each month through December 1, 1998, from the date the merger was effected in California. XXX

SBC has published one-page "progress reports" and has given the press accounts of improvements by SBC for California. But ORA has not seen documented evidence of actual rate activity, job creation or sustainment, or service quality sustainment or improvement in California to support SBC's public claims.

ORA is anxious to review materials supporting SBC's statements that the merger promises in California have been kept, that there have been rate decreases using company revenues (other than exercising pricing flexibility), that there have been thousands of new jobs created (and no net loss of jobs), that calls are now answered faster and more accurately at call centers and directory assistance centers, and that there are fewer outages, quicker repairs and quicker installations for both business and residential customers.

These are the most important areas of customer concern and were the basis of the Commission's approval of a merger without pre-conditions requiring specific rate reductions or service quality monitoring.

I thank you for your assistance in providing ORA this information as soon as possible.

Please call me at (415) 703-2544 if you require any further clarification or assistance.

Sincerely,

Elena Schmid

cc: President Richard A. Bilas
Commissioner P. Gregory Conlon
Commissioner Jessie J. Knight, Jr.
Commissioner Henry M. Duque
Commissioner Josiah L. Neeper

William Blase Jr., Vice President

Page 4

December 16, 1998

John M. Leutza, Director -CPUC Telecommunications Division

Hon. Roderick C. Wright, Chair, Assembly Utilities and Commerce Committee

Hon. Deborah Bowen, Chair, Senate Energy, Utilities and Commerce Committee

Honorable Robert T. Matsui, U. S. House